

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7382

BILL NUMBER: SB 526

DATE PREPARED: Mar 10, 1999

BILL AMENDED: Feb 25, 1999

SUBJECT: Health facility remedies for breaches of certain laws.

FISCAL ANALYST: Ron Sobecki

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**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: (Amended) This bill increases the amount of fines that the Commissioner of the State Department of Health (SDOH) may impose for breaches by health facilities. The bill allows the State Department of Health to deduct from any fine the amount of funds expended by the health facility to retain a consultant or other health care professional approved by the State Department of Health to assist the health facility in correcting a breach. It specifies that the commissioner may impose a penalty for each violation or repeat of a violation. The bill limits to 90 the total number of consecutive days that the commissioner may suspend new admissions to a health facility. The bill provides that the State Department of Health may not collect fines under both state and federal law from certain health facilities.

This bill requires the State Department of Health to contract with an independent organization to operate the informal dispute resolution process required by federal law. The bill specifies that the independent organization with which the State Department of Health contracts must employ or contract with an interdisciplinary team composed of persons with certain qualifications. The bill requires the State Department of Health to assure that members of the interdisciplinary team are knowledgeable about health facility operations and receive training regarding federal survey and certification and state licensure requirements. It makes a conforming amendment.

Effective Date: July 1, 1999.

Explanation of State Expenditures: (Revised) This bill requires the SDOH to contract with an independent organization to operate the informal dispute resolution process required in federal law. The bill also specifies the qualifications of individuals that comprise the interdisciplinary team conducting the dispute resolution process. Based on the state of Michigan's experience in conducting a similar program, the estimated additional state cost is estimated to be a minimum of \$90,000 and would likely be somewhat greater. Contracting with an independent organization will also free up two SDOH employees currently performing this function.

In 1998, the Indiana SDOH conducted the informal dispute resolution on 700 survey deficiencies with two SDOH employees. Michigan, during the period of October through December of 1998, contracted with an independent organization at an average cost of about \$128 per case. Total additional state cost is, thus, estimated to be at least \$90,000. A change to an independent determination may have a tendency to increase the number of cases that go through this process and, consequently, increase the cost beyond the minimum of \$90,000.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; or (5) New appropriations. The January 29, 1999, state manning table shows the SDOH has 93 vacancies. The SDOH reverted approximately \$1.4 million in general funds appropriated for SDOH administration in the last fiscal year. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Explanation of State Revenues: This bill increases the fines the Commissioner of the State Department of Health (SDOH) may impose for certain violations committed by health facilities. The SDOH cited 64 out of 600 health care facilities in the last fiscal year and collected approximately \$50,000 in fines. These fines are deposited in the state General Fund. It is not known if the increase in fines will increase or reduce the number of violations committed by health facilities.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Department of Health.

Local Agencies Affected:

Information Sources: Norma Selby, SDOH, 233-7673.